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Mixed News in August

At first glance, there appeared to be some encouraging developments in Pennsylvania's work force during August, evidenced by a seasonally adjusted 0.3 percentage point fall in the unemployment rate to 7.5 percent, its lowest level since April 1981. The number of unemployed fell to 427 thousand, its lowest level since January. However, resident employment dropped an adjusted 0.5 percent to just over 5.1 million, implying that the decline in unemployment was the result of job-seekers leaving the labor force rather than finding work. Still, employment was approximately 200 thousand greater than a year-ago.

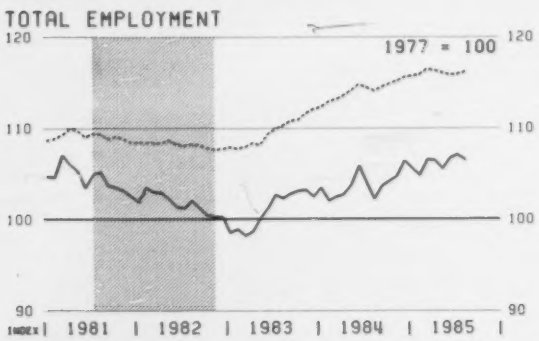
Comparable national figures show that employment rose a seasonally adjusted 0.2 percent during August. The number of people counted as unemployed fell an adjusted 3.3 percent and the civilian unemployment rate fell to 7 percent on a seasonally adjusted basis from 7.3 percent in July.

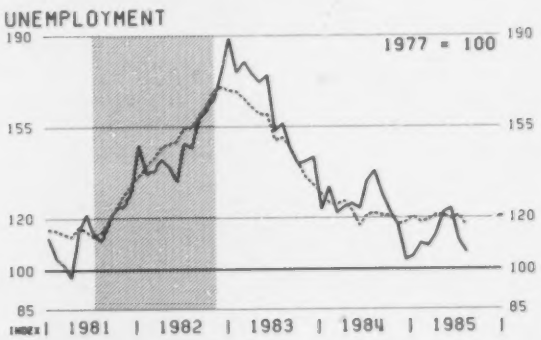
Employment in Pennsylvania's nonagricultural establishments rose a seasonally adjusted 0.2 percent to over 4.7 million. This increase, the result of an unexpectedly large rise in the unadjusted series, leaves this measure of employment 72 thousand above a year ago. As has been the case in the past several months, all of the advance is attributable to gains in the nonmanufacturing sector where the number of jobs rose to a record high 3.7 million, an adjusted increase of 0.4 percent. The service-producing subsector fueled much of the increase on the strength of strong performances in retail trade and services.

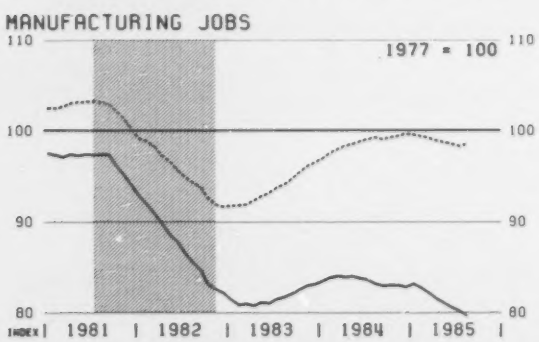
Manufacturing employment continued to decline as it has since February, falling a seasonally adjusted 0.7 percent to nearly 1.1 million, down 4.1 percent from last year. Much of the decline occurred in the nondurable goods industries where 5 thousand jobs were lost in August.

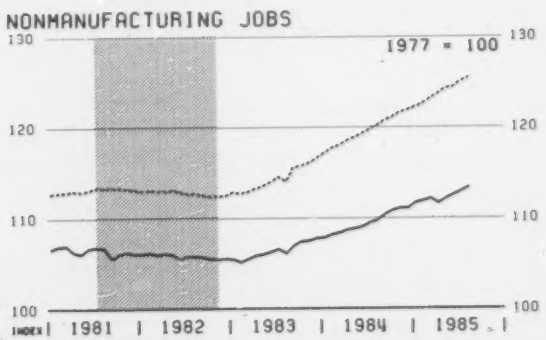
Nationally, nonagricultural employment jumped 0.3 percent on a seasonally adjusted basis. Nonmanufacturing employment rose an adjusted 0.3 percent due to relatively strong gains in the service-producing industries. Manufacturing's seasonally adjusted 0.2 percent employment advance was its first gain since last December.

Further indications of manufacturing's slump in Pennsylvania are found in the declines in total hours worked and the weekly payroll.









SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

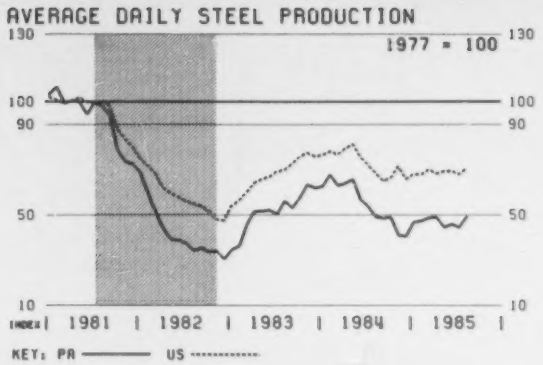
KEY: PA ——— US ----------

PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **October 1985**

Certainly, a good deal of manufacturing's difficulties is the result of the inability of the Federal government to reduce the budget deficit. When indications of these deficits first appeared it was thought that the resulting credit demands on the part of the Federal government would push up interest rates and "crowd-out" private borrowers, depressing investment by, among others, manufacturers. Instead, the deficits, by raising real rates of return on financial assets, have attracted capital from abroad. This has helped to satisfy private credit demands. In the process, the value of the dollar has been pushed up, resulting in a loss of market share, both here and abroad, for domestic manufacturers who are more subject to foreign competition than the nonmanufacturing sector.

Not all of the news in Pennsylvania's manufacturing establishments was negative, however. The average factory workweek rose from a seasonally adjusted 39.9 hours to 40 hours per week, matching last year's level. Output in Pennsylvania steel mills rose an adjusted 10.9 percent on an average daily basis and was slightly higher than last year. Nationally, output rose a seasonally



adjusted 3.7 percent in August on an average daily basis. Pennsylvania's share of total domestic steel production in August rose to 13.4 percent from 13 percent in July. Electric power sales to industrial customers rose 0.7 percent on a seasonally adjusted basis but were 4.1 percent below year-ago sales.

Overall, the news on the construction front was also positive. The value of total construction contracts awarded was up a seasonally adjusted 24.5 percent to

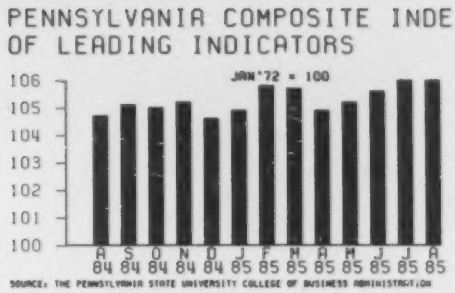
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1985		1984	1985		1984	1985		1984
	July	*August*	*August*	*July*	*August*	*August*	*July*	*August*	*August*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salaried jobs (thous.)[1]	4,730*	4 738	4,667	4,715	4,723	4,651	103.3*	103.5	101.9
Nonmanufacturing									
No. of wage and salaried jobs (thous.)	3,650*	3,655	3,537	3,639*	3,654	3,536	112.9*	113.4	109.7
Manufacturing									
No. of wage and salaried jobs (thous.)	1,077*	1,080	1,126	1,076*	1,069	1,115	86.1	79.7	83.1
Ave. wkly. hrs. worked by prod. workers	39.9*	39.8	39.9	39.9	40.0	40.0	101.1*	101.1	101.2
Total wkly. person-hours worked (mils.)	29.2*	29.3	31.0	29.3	29.2	30.9	76.4	76.1	80.6
Total wkly. payroll (mil. dols.)	279.7*	278.7	286.8	281.7*	279.6	287.3	125.4*	124.4	127.9
Steel production (thous. tons)	907	954	953	n.a.	n.a.	n.a.	44.5	49.4	49.2
Industrial electric power sales (mil. kwh)	3,469	3,534	3,683	3,483	3,506	3,657	94.3	94.9	99.0
Mining									
Anthracite coal (thous. net tons)	301	302	458	291	252	378	59.6	51.6	77.4
Bituminous coal (thous. net tons)	4,105	n.a.	5,866†	4,898	n.a.	7,157†	69.4	n.a.	101.5†
Construction contracts awarded (mil. dols.)									
Total	694.6	740.4	500.9*	592.4	737.3	444.3*	184.1	229.2	138.1*
Residential building	345.2	328.1	261.7*	291.1	253.1	195.5*	206.8	179.8	138.9*
Other building	208.5	309.5	134.7*	152.4	383.8	146.6*	140.5	353.8	135.1*
Nonbuilding (utilities and public works)	140.9	102.8	104.5*	148.9	100.4	102.2*	205.4	138.5	141.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,288	5,252	5,046	5,145	5,119	4,912	107.1	106.5	102.2
Unemployed									
No. of persons (thous.)	450	412	538	447	427	553	111.5	106.6	137.9
Rate (percentage of labor force)	7.8	7.3	9.6						
Rate, seasonally adjusted				7.8	7.5	9.9			
Civilian labor force, no. of persons (thous.)	5,738	5,664	5,584	5,592	5,546	5,465	107.4	106.5	105.0
Initial claims for unemployment benefits	137,398	94,431	104,100	124,152	114,718	121,757	86.7	80.1	85.0

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1985		1984	*Month Ago*	*Year Ago*
	July	*August*	*August*		
U.S. city average	322.8	323.5	313.0	+0.2	+3.4
Philadelphia	315.5	315.8	302.9	+0.1	+4.3
Pittsburgh	n.a.	325.9	319.1	n.a.	+2.1
Northeast PA	306.6	n.a.	297.3†	n.a.	+3.1

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for July 1984 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

$737.3 million in August. This increase was due to an adjusted increase of over 150 percent in the value of nonresidential building contracts. Residential and nonbuilding contract values fell at seasonally adjusted rates of 13.1 and 32.6 percent, respectively.

The Pennsylvania index of coincident indicators failed to pick up any apparent improvement in the economy during August, probably because it is heavily weighted towards the manufacturing sector. The index fell three-tenths of a point to 87 percent of its January 1972 average. Each of the three components of the index, manufacturing employment, real earnings by manufacturing production workers, and total employment, fell. The index of leading indicators remained at 116 percent of its January 1972 average for the second straight month. The improvements in two of the components, initial claims for unemployment insurance and the average manufacturing workweek, were offset by the decline in residential construction activity.


PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
JAN '72 = 100
106
105
104
103
102
101
100
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SOURCE: THE PENNSYLVANIA STATE UNIVERSITY COLLEGE OF BUSINESS ADMINISTRATION

— William D. Anderson

Average Pay Rises Slightly in 1984

In 1984, pay for workers covered by state and federal unemployment insurance programs averaged $17,931 in Pennsylvania, 4.5 percent higher than in 1983 and up 24.8 percent from 1980. The nation's average was $18,350, a 4.6 percent rise over 1983 and 27.7 percent higher than in 1980.

Pennsylvania's average was lower than in the other two states which comprise the Mid-Atlantic Region: New York ($20,754) and New Jersey ($19,889). The growth in pay from both 1983 and 1980 was also higher in the two states.

Pay in Pennsylvania's manufacturing sector was $22,138, up 5.4 percent from 1983. Nationally, manufacturing pay averaged $22,594 in 1984, a 5.3 percent advance over a year ago.

Manufacturing pay in New York and New Jersey, at $24,272 and $24,071, respectively, was approximately $2,000 greater than in Pennsylvania. New York's 5.1 percent increase in pay from 1983 trailed Pennsylvania's advance while New Jersey's 6.3 percent rise was higher.

As the economy becomes more service oriented a major issue concerns the disparity in pay between the manufacturing and service-producing industries. Average pay in four of the five private service-producing industries was $1,956 less than in manufacturing during 1984 in Pennsylvania. (Due to the abundance of part-time, relatively low-paying jobs in retail trade, it was not included in the average.) Pay in the private service-producing subsector, including retail trade, was up 4.1 percent from 1983. Between 1980 and 1984 the increase in service-producing pay was greater than manufacturing's rise in Pennsylvania. Nationally, pay in

Average Pay by Industry — Pennsylvania and the U.S. /1

	Pennsylvania			United States		
		Percentage Change			Percentage Change	
	1984 /2	*1983*	*1980*	1984 /2	*1983*	*1980*
TOTAL	$ 17,931	4.5	24.8	$ 18,350	4.6	27.7
Private /3						
Total	17,707	4.4	23.7	18,175	4.4	26.6
Manufacturing	22,138	5.4	25.5	22,594	5.3	29.6
Nonmanufacturing						
Mining	28,381	10.0	29.1	30,170	4.6	31.0
Construction	21,258	0.1	21.1	20,733	1.2	18.5
Service-Producing						
Transp., comm., and public utils.	24,289	2.1	25.6	24,687	2.7	26.7
Wholesale trade	21,894	5.2	25.1	22,736	5.7	26.3
Retail trade	9,468	3.9	18.4	10,405	4.0	21.7
Fin., Ins., and Real Estate	19,007	4.6	33.7	20,731	5.9	38.9
Services	15,540	5.1	34.4	16,044	4.5	32.8
Government	19,274	5.2	31.2	19,229	5.9	33.2

SOURCE: Bureau of Labor Statistics, USDL 85-320, UADL 82-460.

1. Includes workers covered by Unemployment Insurance (UI) and Unemployment Compensation for Federal Employees (UCFE) programs.
2. Data are preliminary.
3. Includes data for industries in addition to those shown separately.

the four service-producing industries was $1,545 less than in manufacturing. The entire subsector's pay was 4.6 percent greater than in 1983.

In New York, where the subsector is dominated by relatively high-paying jobs in the wholesale trade and financial services industries, average pay in the four service-producing industries was $703 more than in manufacturing. Average pay in New Jersey's private service-producing subsector, excluding retail trade, was $1,776 less than in manufacturing.

— William D. Anderson

Announcements . . .

Reorganization

The College of Business Administration recently announced the restructuring of its research activities. What was formerly the Center for Research is now the Division of Research with responsibility for coordinating college programs to support and facilitate faculty research. In addition, what was formerly the Pennsylvania Economic Analysis Program is now the Center for Regional Business Analysis. This change reflects the expanding research and analysis activities of the Center. In addition to the Center for Regional Business Analysis, the programs of the Division include the Institute for the Study of Business Markets, the Issues Management Program, the Blankman Strategic Decision Making Program, and the Center for the Management of Technological Change.

Two new programs are being established within the Division, the Real Estate Studies Program and the Pension and Welfare Research Program.

Anderson Joins Center

The College of Business Administration is pleased to announce the appointment of Mr. William D. Anderson as Assistant Director and Research Associate in the Center for Regional Business Analysis. He will be involved in a wide range of regional economic research and will be responsible for the publication of the *Pennsylvania Business Survey* which is now in its 46th year at Penn State.

Mr. Anderson brings a strong background in economics to the Center and the *Survey*. A graduate of the University of Michigan with B.A. degrees in economics and political science, he also holds a Master's degree in economics from Wayne State University. Before coming to Penn State, he was an economic analyst with the Indiana Department of Commerce where he authored numerous articles and reports and supervised the publication, *Perspectives on the Indiana Economy*. Mr. Anderson also served as a part-time instructor in economics at Indiana University/Purdue University at Indianapolis.

Mr. Anderson succeeds Ms. Norma Gavin who recently accepted another position at Duke University.

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